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FARM COSTS AND RETURNS SURVEY

1989 SUMMARY: Delaware, Maryland, New Jersey, and New York

U.S. Department of Agriculture
National Agricultural Statistics Service
Economic Research Service
Washington, D.C. 20250

The financial position of the average farm in Delaware, Maryland, New Jersey, and New York improved slightly in 1989. Forty-four percent of the farms were in a favorable financial position, a 1-percentage-point increase over 1988. Farms in the marginal income category (low debt but negative net cash income) accounted for 47 percent of the farms, the same as in 1988. When cash sales, Government payment and other farm-related income were totaled, gross cash income averaged \$68,700, down \$5,000 from the previous year. Net cash farm income was about average for the region, but was partially offset by a larger nonfarm income source.

The average farmer in these four States operated 199 acres, the largest farms in the region. The debt/asset ratio averaged 0.09, an improvement over 1988's 0.10, and better than the U.S. average. The increase in those farming and ranching operations in a favorable position and the decline of those in marginal and vulnerable positions places these States in a better financial position than in previous years.

A farm's financial condition was measured by jointly considering the net cash income position (positive or negative) and the amount of debt relative to assets (above or below 0.40). Farms with positive income and low debt are regarded as **favorable**, while those with negative income and low debt are considered in a **marginal income** position. Those with positive income and high debt are characterized as **marginal solvency** and those with both negative income and high debt are **vulnerable**.

Figure 1--DE, MD, NJ, NY farm financial position

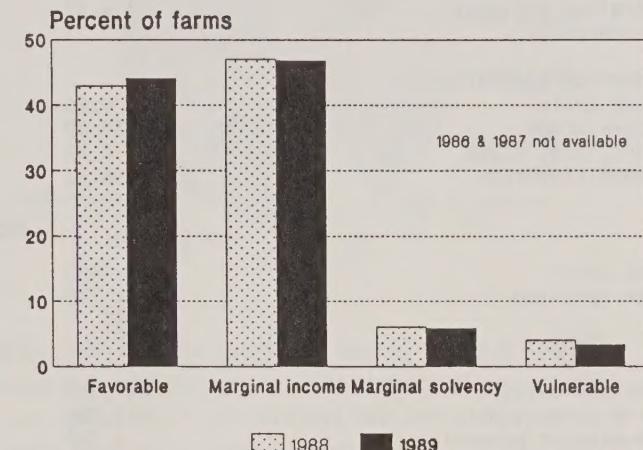


Table 1--Financial Performance of Northeast States

	Favorable	Marginal income	Marginal solvency	Vulnerable
Percent of farms				
Pennsylvania	48	48	1	3
DE, MD, NJ, and NY	44	47	6	3
New England States	38	55	4	3
Northeast	44	49	4	3
U.S.	49	40	6	5

Table 2--Selected average operating and financial characteristics, 1989

	New England States	DE, MD, NJ, NY	PA	Northeast	U.S.
Acres operated 1/	164	199	145	173	470
Acres per farm					
Acres operated 1/	164	199	145	173	470
Livestock sales	29,579	43,703	35,071	37,822	31,732
+ Crop sales (incl. net CCC loans)	46,367	20,614	17,518	24,738	27,524
+ Government payments	898	1,257	761	1,011	3,979
+ Other farm-related income	3,176	3,087	1,677	2,611	4,941
= Gross cash income	80,020	68,660	55,028	66,181	68,175
- Cash expenses	58,542	54,410	43,897	51,562	53,000
= Farm operation net cash farm income	21,477	14,251	11,131	14,619	15,175
Net cash income including contractors share 2/	25,546	16,493	12,646	16,976	24,184
Nonfarm income	25,893	34,128	20,638	27,736	26,138
Net worth	529,379	481,267	382,488	456,385	356,191
Debt/asset	0.08	0.09	0.08	0.08	0.12

1/ Defined as acres owned plus acres rented (excluding AUM land) minus land rented to others. 2/ Farm operator net cash income plus the value of products removed by contractors minus expenses reimbursed to operators.

Table 3--Average operating and financial characteristics for Del., Md., New Jersey, and New York farms, 1989

	Economic class			Financial position	
	\$250,000 or more	\$40,000-\$249,999	Less than \$40,000	Favorable	Vulnerable
	<u>Percent</u>			<u>Percent</u>	
All farms	5.50	25.59	68.91	44.07	3.29
Primary occupation farming	95.09	89.11	43.16	67.24	16.45
Financial position:					
Favorable	82.45	72.54	30.44		
Marginal income	7.77	8.03	64.27		
Marginal solvency	9.57	18.15	1.01		
Vulnerable	0.21	1.29	4.28		
Production specialty:					
Cash grain	9.16	6.63	16.34	9.94	27.19
Other crops	30.29	16.53	30.71	22.22	33.91
Beef, hog, sheep	4.33	4.75	24.74	11.24	7.07
Other livestock	56.22	72.10	28.21	56.60	31.83
	<u>Acres per farm</u>			<u>Acres per farm</u>	
Acres owned	461	198	85	187	90
Acres operated	788	334	102	268	130
	<u>Dollars per farm</u>			<u>Dollars per farm</u>	
Livestock sales	341,929	83,745	5,019	80,877	12,248
+ Crop sales (incl. net CCC loans)	212,024	24,113	4,029	32,955	10,403
+ Government payments	6,785	2,666	292	1,746	2,454
+ Other farm-related income	9,970	4,881	1,871	4,503	469
= Gross cash income	570,708	115,405	11,211	120,080	25,573
- Cash expenses	425,155	85,078	13,415	83,118	39,122
= Farm operation net cash farm income	145,554	30,327	-2,204	36,962	-13,549
Net cash income including contractors share	167,471	36,563	-3,016	38,223	-9,947
Nonfarm income	42,199	16,888	39,885	26,784	38,495
Total assets	1,961,203	574,215	393,791	636,666	184,146
Total debt	224,119	69,152	21,647	42,582	122,898
	<u>Ratio</u>			<u>Ratio</u>	
Ratios:					
Debt/asset	0.11	0.12	0.05	0.07	0.67
Return on assets	0.07	0.04	-0.01	0.04	-0.09
Cash expenses/gross income	0.74	0.74	1.20	0.69	1.53
Interest/gross cash income	0.04	0.05	0.18	0.04	0.34

Source: 1989 Farm Costs and Returns Survey, USDA.

Over two-thirds of the farms surveyed in Delaware, Maryland, New Jersey, and New York in 1989 were in the smallest sales class. About 43 percent of these operators considered farming their principal occupation. Thirty-one percent of the small operations specialized in crops other than cash grains, probably fruits and vegetables. Sixty-four percent of the farms in this size group were classified as marginal income (negative income with low debt). The low net cash farm income for these small farmers can be overcome by nonfarm income which averaged \$39,900.

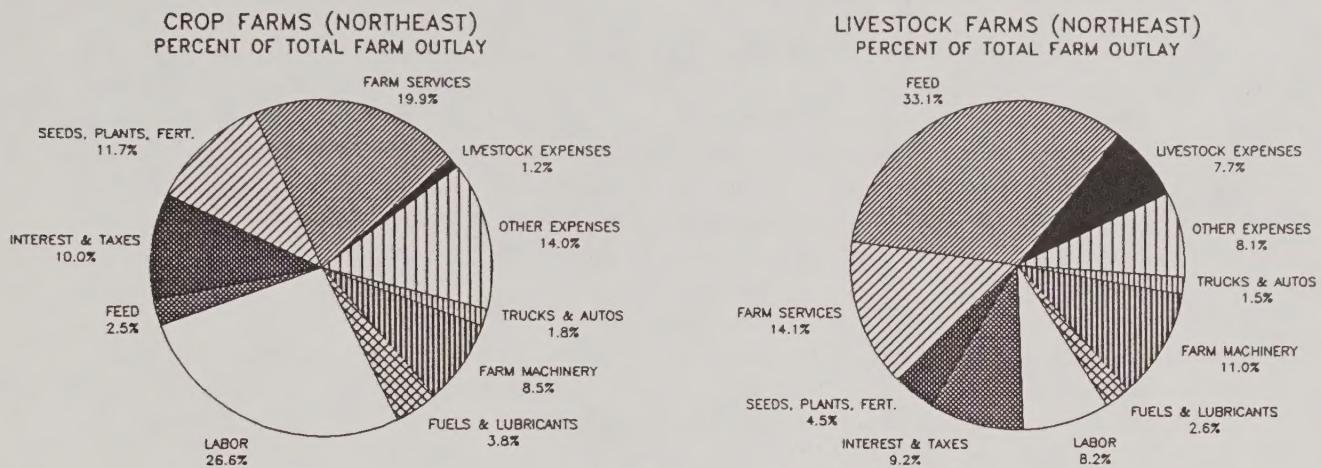
Less than 6 percent of the farms surveyed were classified as large farms with sales exceeding \$250,000. Over 82 percent of these large farms were in a financially favorable condition. Most of the operators in this size category said that farming was their primary occupation. Fifty-six percent of the large

farms surveyed classified themselves as dairy and poultry farms, with fruits and vegetables also prevalent.

Medium-sized farms were also financially healthy, with 72 percent of the farms in a favorable financial position. These farms mainly specialized in livestock (77 percent) with cash grains accounting for 7 percent and the remainder as other crops. Forty-one percent of the operated land was rented.

The debt/asset ratio was highest for those farms classified as mid-sized operations with a ratio of 0.12, the U.S. average. Comparing farms by financial position shows the favorable farms earned an average \$37,000 per operation on sales of \$114,000. The average vulnerable farm, however, lost \$13,500 on the farming operation but earned \$38,500 from off-farm employment.

Figure 2-Regional Farm Production Expenditures by Farm Type



Farm production expenditures in the Northeast totaled \$8.4 billion, up 7.2 percent from 1988, according to the National Agricultural Statistics Service (NASS), USDA. In comparison, United States production expenditures were \$124.1 billion, an increase of 4.9 percent from a year earlier. Major increases regional expenses for trucks & autos, feed, and seed were partially offset by lower expenditures for livestock purchases and fertilizer.

Expenditures by livestock farms at \$5.6 billion were 66 percent of the total regional expenses compared to 67 percent in 1988. Major expense items on livestock farms were feed (33 percent) and farm services (14 percent). A little over 60 percent of the crop farm expenses in the Northeast were for labor (27 percent), farm services (20 percent), farm machinery (9 percent), and seeds & plants (6 percent).

Table 4 -- Selected production expenditures by type of farm, 1989

Northeast (CT, DE, ME, MD, MA, NH, NJ, NY, PA, PI, AND VT)	Crop farms	Livestock farms	All Farms	
			Region	U.S.
<u>1,000 Dollars</u>				
Total farm production expenditures	2,841,241	5,589,192	8,430,434	124,123,722
Livestock & poultry	34,567	429,953	464,520	14,019,495
Feed	71,210	1,852,457	1,923,666	18,225,017
Farm services	564,530	787,181	1,351,711	26,739,285
Ag Chemicals & Sprays	111,936	96,141	208,077	4,548,318
Fertilizer	153,009	170,463	323,472	7,190,920
Interest	144,271	293,892	438,163	8,408,597
Taxes (property & real estate)	138,751	219,848	358,599	4,183,392
Labor	756,686	460,624	1,217,311	11,340,182
Fuels & lubricants	107,645	144,215	251,859	4,449,270
Farm supplies	131,226	139,588	270,813	2,351,251
Building & fencing	125,683	172,430	298,114	2,297,420
Farm & land improvements	22,599	41,615	64,215	883,450
Total farm machinery	243,065	614,360	857,424	12,869,156
Seeds	179,679	78,618	258,297	3,855,168
Trucks & autos	50,713	84,856	135,569	2,129,107
Other unallocated expenses	5,672	2,952	8,624	633,694

In this report...

The financial position of the average farm in Delaware, Maryland, New Jersey, and New York improved slightly in 1989, according to this report which summarizes the latest information from the Farm Costs and Returns Survey (FCRS). The FCRS was conducted by the Agricultural Statistics Service offices in Delaware, Maryland, New Jersey, and New York as part of a national survey during February and March 1990. Over 24,000 farmers and ranchers were contacted nationwide. Individuals surveyed were chosen from a list of farm operators supplemented with producers living inside randomly selected geographical areas to ensure representation of all farms which sell or normally sell at least \$1,000 of agricultural products.

Estimates of the distribution of farms and other averages of survey data do not represent official USDA estimates, but are results of the Survey. Since the FCRS is a probability sample, each respondent represents a number of farms of similar size and type. Thus, sample data can be expanded by appropriate weights to represent the U.S. population of farm operations. Estimates based on the expanded sample differ from what would have occurred if a complete enumeration had been taken and thus are subject to sampling variability. Data collection procedures are uniform and consistent across the Nation by using extensive training and field supervision of data collectors. Efforts are also undertaken to minimize other nonsampling errors by using extensive edit and data analysis. The extent of nonsampling errors is not known or measurable.

In tables 1 through 3, the ERS estimates consider only cash expenses necessary for the annual operation of the farm business. Contractual expenses and income associated with agricultural production are included in a separate net income measure. Net cash income including the contractor's share is comparable with estimates published in prior years. NASS production expenditure data in table 4 differ from the Economic Research Service (ERS) total cash operating expense estimates. In general, NASS total farm production expenditures exceed the operator's cash expenses by the amount of landlord expenses and capital purchases.

For additional information...

Requests for additional information should be directed to the State Statistician in your local Agricultural Statistical Service office. *Other publications on farm economic data will be available later this year.*

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